

**State of Wisconsin
Office of the Commissioner of Insurance**

**Small Employer Health Insurance Task Force
Task Force Meeting-January 11, 2001**

**Department of Financial Institutions
Tommy G. Thompson Conference Room
345 W. Washington Ave.
Madison, WI**

Minutes of Meeting

Task Force Members Present:

Connie L. O'Connell, Chair
Vaughn Vance representing Sen. Roger Breske
Steven Broeckert
Don Carrig
Paul Corcoran
Joe Decker
Paul Dell Uomo
Jeffrey Mason
Nancy Potter
Rep. Lorraine Seratti

Members not present:

Timothy Bireley

Participating Staff:

Eileen Mallow, Assistant Deputy Commissioner
Fred Nepple, General Counsel
Mike Honeck, Chief Health and Life Insurance Section
Laura Iliff, Actuary
Jim Guidry, Legislative Liaison

Presenters:

Ms. O'Connell called the meeting to order and made some brief opening remarks

Minutes:

The task force reviewed the minutes of the last meeting. There was no discussion and the minutes were approved.

Mandated Benefits

Jim Guidry of OCI staff gave a presentation on mandated benefits. The presentation defined mandated benefits and drew a distinction between mandated benefits and mandates in general. Jim then outlined the mandates that currently exist in Wisconsin, and what mandates were expected to be introduced in the upcoming legislative session.

The presentation turned to the subject of the results of mandate studies done in Wisconsin and other states. Previous OCI mandate studies conducted in 1990 and 1991 were reviewed in addition to studies performed by other states. Cost of benefits paid attributable to mandates in

other states ranged from a low of 3.3% to a high of 22%. Differences among state mandates and the nature of the studies done, however made a true comparison difficult.

The presentation compared Wisconsin to the rest of the country in the number of mandates, which showed Wisconsin to be somewhere in the middle. Also examined was the cost of COBRA/continuation mandates, which affect small employers to a greater degree than larger employers and a discussion about the marginal cost of mandates. Jim mentioned that two states are experimenting with mandate free policies for small employers

The presentation concluded by suggesting that while mandates do add to the cost of health insurance the effect is not as significant when marginal cost is considered and is only a small part of the problem of rising health insurance costs for the small employer.

Geographic Provider Data

Mike Honeck of OCI staff presented data regarding a brief telephone survey that OCI conducted. The purpose was to gauge the differences in premium rating by insurers in various counties in Wisconsin. The survey results showed that the insurers questioned rated premiums using a rating factor, and that this factor did not vary between small and large employers. Also average premiums for small group policies has increased on average between 16% to 30% for each of the companies surveyed.

Jim Guidry provided data from the State of Wisconsin Group Health Insurance for state employees for the same counties for 1999, 2000 and 2001 that showed the number of providers in the county as well as comparing rates of premium increase. The data showed that there were a variety of insurance plans available in most of these counties. It also showed that the rate of increase from 2000 to 2001 was greater than from 1999 to 2000 and that the increases were only slightly less than that of small employers.

OCI Survey of Insurers

Laura Iliff of OCI staff presented the results of an OCI survey that was suggested by the task force in the first meeting. The survey asked questions about cost increases and increases in utilization in terms of claim costs over a set period of time. The insurers were also asked questions about access restrictions in their policies. George Quinn, of the Wisconsin Hospital Association, also briefed the task force on some of the data that was provided by WHA.

The data confirmed what most national studies have shown, that increases in health insurance benefits paid out by insurers are due to both increases in costs and in utilization. The increases are spread out between prescription drugs, physician and hospital usage. The WHA was consistent with the survey findings. It was pointed out that no single cost center stood out above all the others.

Task Force Recommendations

Commissioner O'Connell then went around the task force and asked each member to list what they thought should be recommendations for review by the committee. The list is attached.

Cost Containment Commission

Eileen Mallow of OCI staff gave a brief history of the Cost Containment Commission. Ms. Mallow previously staffed the commission and was able to relay first hand knowledge of Wisconsin's effort to contain growth of health care facilities.

Community Rating

Fred Nepple gave the task force a brief primer on Community rating and how it works in Wisconsin.

Next Meeting

Commissioner O'Connell stated that the task force members would be notified of the date, time and location of the next meeting and that the task force would begin examining the recommendations that the task force provided.

Task Force Suggestions for Consideration

1. Provide mandate flexibility in small employer policies
2. Create additional tax incentives
3. Address Medicare reimbursement inequity for providers
4. Reevaluate the Group Concept – require the insured to commit to stay with carrier for set amount of time
5. Reform procedures and application process
6. Require policy include clear language regarding coverage for work-related injuries
7. Consider state discretion in addressing rating problems created by HIPAA
8. Create a basic benefits plan to address hidden costs of mandates
9. Reallocate resources to reduce cost shifting.
10. Create an OCI education and outreach initiative to small employers
11. Update the mandate surveys
12. Collect data on premiums and increases from surrounding states
13. Address cost shifting against small employers
14. Prevent underwriting of individuals not currently on the policy
15. Increase size of pool
16. Eliminate HIRSP Assessments on premium attributable to small employer market
17. Shift to mandated offering
18. Create premium subsidy for low income workers
19. Widen rate bands
20. Review the interplay of Badger Care/HIP Program with small employer insurance
21. Support a Legislative resolution addressing Medicare reimbursement inequities
22. Review Tribal health centers – access to general public and funding
23. More precisely quantify social and economic impacts of mandates. Expand primary care providers in underserved areas
24. Require premium reductions for individuals in high risk job categories that receive safety training for high risk Employees
25. Create a tax incentive for employer-subsidized higher deductibles
26. Support additional resources for Office of Private Employer Health Care Coverage Program
27. Create a coalition of providers, insurers and small employers to address Medicare funding inequities
28. Consider other State Reforms such as small employer plans in New York and Maryland
29. Mandate health insurance participation by Small Employers